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 **FILED**  
**MAR 03 2022**  
U.S. BANKRUPTCY COURT  
NORTHERN DISTRICT OF CALIFORNIA

March 2, 2022

Honorable Hannah Blumenstiel  
United States Bankruptcy Court  
450 Golden Gate Avenue  
Mail Box 36099  
San Francisco, CA 94120

Re: PFI Ponzi/Bankruptcy Professional Fees  
Professional Investors, Inc.  
Case #20-30604 (HLB) (Jointly Administered with  
Case #20-30579)

Dear Judge Blumenstiel:

I was completely scammed by Ken Casey and Lewis Wallach. I lost a significant amount of money in a short period of time, i.e., from January 2020 to April 2020. Over 1,000 investors, including me, were seriously and substantially raped financially by Ken and Lewis.

For your information, I was one of a group of investors that was asked to serve on a Real Estate Committee to advise the Unsecured Creditors Committee and the Ad Hoc committees about the management and sale of the PFI real estate portfolio. I have extensive experience as an investor and developer of real estate properties in the Bay Area over the past 45 years.

I understand that you will be reviewing the fee applications from the professionals. Please look at the whole scheme, the sale of the real estate portfolio, the accounting of investor interests, and the disposition of the PFI/PISF estate. The fees came in at approximately \$33,000,000 currently, plus any additional fees that may arise. Please carefully review the fee

applications. If, based on fair, reasonable, and objective information, I respectfully ask that you please reduce the fees in order to assist the many harmed investors.

Please review my concerns relating to the applications for such high professional fees.

1. Investors were told originally to expect the professional fees to be about \$10 million - fees are now over \$33 million. There were communications gaps during which the potential for such high increases were not presented to the investors and their representatives.
2. The FTI Forensics firm projected fees at a much lower level. The fees could have been managed better.
3. FTI did a terrible job of marketing the real estate portfolio, which resulted in their recommended bidding process producing only one bidder from across the country; it is estimated that the portfolio was undersold for about \$100,00,000 to \$150,000,000 net. We were told there were 80 NDA's sent to prospective buyers. I send three qualified buyers to review the portfolio and one of them indicated to me they were not given sufficient time to view and review the property and portfolio. There was insufficient staff to hold open houses everyday to allow multiple bidders to come in and view the property. The investors were only given two weeks to inspect the properties. Open houses should have been scheduled for two months. Investors were sold on the idea that they were going to have a bid-up situation and we would get a fair market price. I was on the real estate committee and I had done an analysis back in 2020 of the value of the properties. We had a skilled real estate committee that was dissolved because others overseeing the whole process thought they could do better and therefore had no further need for the committee. This was, in retrospect, an error and the investor class was denied valuable input from the experienced real estate committee during the critical phase of marketing and sale of the portfolio. Enclosed is an attachment that shows the values I obtained from county records of properties sold in the nearby vicinity of the PFI real estate portfolio. I have all the accompanying data also. If you want to look at the last

communication from Sheppard Mullin, you will see they sold 523 - 4<sup>th</sup> Street for \$4.8M, which is about \$400 per square foot. As I had told everyone previously, the residential units were worth on average about \$400,000 per unit and the commercial should be valued at about the same as the 4<sup>th</sup> St. property at about \$400 per square foot. So given these valuations, the residential was worth about \$400,000,000 and the commercial was worth approximately \$350,000,000 less any required repairs and costs estimated at approximately \$10-20,000,000. If there were a 25% discount to any buyer, the investors would still net \$100,000,000 more for the portfolio and the yield to each investor would be 60-65% instead of 35%. This would have made investors more whole. The Marin County portfolio is probably the best in the whole country. I do not know how they got just \$450,000,000 for the entire portfolio. Why didn't an independent law firm that knows real estate review the contract with Hamilton Zanze. The investors should not have had a binding contract with Hamilton Zanze that could not be terminated. PFI could have remarketed the portfolio and gotten more bidders. This is what happens when you have high priced accountants and attorneys who are not experienced in property management and sales marketing. I am sorry judge it is really easy to see, after the fact, the shortfall that was created by the attorneys and accountants due to their lack of experience in the real estate sector. The higher values from 2020 have not changed much, if at all in the last two years, and those values should have applied here if the properties had been properly marketed. I am appalled by the inefficiencies and the misdirection created by the accounting firm, the attorneys, and the independent director (who I might add never made a trip from Florida to inspect the properties firsthand).

4. Our investment situation involved a long-term Ponzi scam. Why have not the independent director and the attorneys initiated claims against the various banks, title companies, advisors, employees, relatives, and consultants that were involved with this scheme for decades? No banks ever required any audit reports. The PFI estate representatives have not gone after all the banks for accepting to do loan on properties that did not appraise. From what I could tell Ken Casey overpaid on properties approximately 10-15%. It has been said that all the brokers in the area would go to Ken to sell their properties because he would pay maximum dollar value and

then some. It would be very easy to talk to all the brokers who sold properties to Ken and find out the real values. It is not enough to just get the prepayment penalties waived from the loans. This is a given since the banks were getting paid in full for their loans. The loan balances should have been negotiated because of the fraud by the banks for not appraising the properties properly. If the properties were appraised properly then we would not have been invested in properties that were upside down from the loan standpoint only. I do not believe anyone was willing to do the work needed to make this situation fair for the investors. They just wanted to get this case done to set a record for completing a Ponzi case and get paid a lot of money.

5. I think the attorneys, accounting, etc. should make up the \$100,000,000 difference and pay restitution to the investors of \$70,000,000 for their lack of care and breach of duties to the investors.

I hope there is a silver lining for investors that can be found in your court by your honor's fair and impartial evaluation of all of the facts and circumstances relating to the professional fees that have been charged against the PFI estate. It is my understanding that the professionals are even charging tens of thousands of dollars for their time to prepare their invoices. This seems to me unconscionable.

Thank you for your consideration of my information and requests. I am available by telephone or email anytime for further clarification.

Best Regards,



Michael A. Bagatelos

cc: David Baddley by Email at [baddleyd@sec.gov](mailto:baddleyd@sec.gov)

AVERAGE  
PRICE  
PER SQUARE  
FOOT

ADDRESS ZONING SQUARE  
FOOTAGE UNIT COMPARABLE  
SALES

21-DUFFY PL. 43,371

37-DUFFY PL. 10,316 3.57 (1) 360.00

200-GATE 'S RD. 26,940 9.6 (1) 320.00

107-MARIN ST. 6,136

1129-3RD ST. 3728

117 PAUL DR. (C) 8440

1315 LINCOLN AV. (R) 10,980 (16)

1506 VALLEJO AV. (R) 3980 (7)

SANTA LAND 300 ENTRADA DR. (C) 12,641 (1) 4.5 M (2) 6.1 H (2) 400-450.00

353-359 BEL MARIN KEYS (C) 28,054

355-BOYES BLVD. (R) 7748

390-WOODLAND AV. (R) 3853

419-PROSPECT DR. (R) 6437 (11)

461-IGNACIO BLVD. (R) 9240 (10)

445-IGNACIO BLVD. (R) 18,480 (20)

PISC, 475 IGNACIO BLVD (R) 16,040 (20)

517-B ST. (R) 5342 (10)

7200-REDWOOD BLVD (C) 54777

885-BROADWAY (R) 13588 (16)

1 HAMMONDALE (R) 2080 (4) 1.17 (1) 500-550.00

5 HAMMONDALE (R) 1694 (3) 500-550.00

49 IGNACIO LN. (R) 6800 (10)

7 MERRYDALE RD. (R) 4914 (8)

17-CLAY CT. (R) 4308 (4) 400-425.00

(1 CLAY CT. SOLD 3/20 BY PFI FOR 1.680 M (3984 \$))

30 CLAY CT. (R) 3984 (4) 400-425

33 CLAY CT. (R) 3984 (4)



	ADDRESS	ZONING	SQUARE FOOTAGE	UNITS	COMPARABLE SALES	PRICE PER SQUARE FOOT
?	16914 SONOMA HWY (R)					
	350 IGNACIO BLVD. 2C (C)		1629	1		
	350 IGNACIO BLVD. 1E (C)		1286	1		
	350 IGNACIO BLVD. 1C (C)		1401	1	510K 6/2020 (1)	400
	" " 3A (C)		3386	1	1.2M 2.4 (2)	500
	" " 1B (C)		JAY		855 SQ. FT. REAL ESTATE HOLDINGS	
	551-ALAMEDA DEL PRADO (R)		6820	10		
PISF	225-NOVA ALBION WAY (R)			40		
PISF	825-LAS GACINAS (R)			49		
PISF	1825-LINCOLN AV. (R)		51400	64		
	1000-IGNACIO BLVD (R)			27		
	980-IGNACIO BLVD (R)			18		
PISF	216-MARIN ST. (R)			35		550-600
PISF	380-ALAMEDA DEL PRADO (R)		88,828	96		
	511-ALAMEDA DEL PRADO (R)		9240	10		
	531-ALAMEDA DEL PRADO (R)		9240	10		
	401-IGNACIO BLVD. (R)		9240	10		
	521-ALAMEDA DEL PRADO (R)		16,090	20		
	120-ORCHARD AV (R)		1120	2	650K 8/2020	550 <sup>02</sup>
	1701-NOVATO BLVD. (C)		37560			
	1682-NOVATO BLVD. (C)		32531			
	7-MT. LASSEN DR (C)		31816			
	100-TAMAL VISTA PLZ (C)		23,300			
	1500-GRANT AV. (C)		33,711			
	481-IGNACIO BLVD. (R)		10912	16		
	1151-BROADWAY (C)		8462			
	1341-REDWOOD (Condo)		3208			
	133-REDWOOD (Condo)		4315			

1343 REDWOOD	(C CONDO)	2960		
1345 REDWOOD	(C CONDO)	6184		
1347 REDWOOD	(C CONDO)			
1349 REDWOOD	(C CONDO)	10,024		
1351 REDWOOD	(C CONDO)	9968		
30 N. SAN PEDRO RD.	(C)	24480		
555 - NORTHGATE DR	(C)	24840		
325 - ENFRETE RD.	39 (R CONDO)	801	450K	500
	3 (R CONDO)			
	20 (R CONDO)			
	23 (R CONDO)			
	10 (R CONDO)			
851 - IRWIN ST	(C)	28634		
1425 N. McDOWELL	(C)	41,440		
350 ROBINSON ST.	(R)	89,704		
10 MAPLE ST.	(C)	14082		
635 BROADWAY	(C)	3942		
899 - NORTHGATE	(C)	62928		
523 - 4TH ST.	(C)	12875		
CAN NOT FIND				
15411-15499 MARTIN				
19 MEADOWS	(R)	11568	18	
1050 NORTHGATE	(C)	58322		
109 PROFESSIONAL CENTER PKWY	(R)	14348		
CAN NOT FIND				
100 SUCANORE				
1099 D ST.	(C)	32784		
285 WOODLAND	(R)	17158		

240 TAMAL VISTA (C) 25,071

1441 CASA BUENA (R) 30,192

1732 LINCOLN AV. (R) 13476

PFE  
GLENWOOD LLC

1222 IRWIN (R) 6510

3.85M  
8/2020

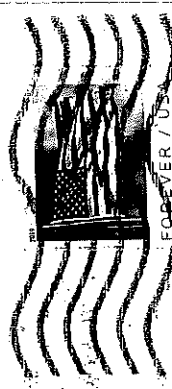
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**RECEIVED**

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U.S. BANKRUPTCY COURT  
NORTHERN DISTRICT OF CALIFORNIA

HONORABLE HANNAH BLUMENSTIEL  
UNITED STATES BANKRUPTCY COURT  
450 GOLDEN GATE AVE.,  
MAIL BOX 36099  
SAN FRANCISCO CA 94102-341024